



## OVERALL

Equities have pushed ahead again strongly in recent months supported by the expectation of reasonably strong earnings' growth, better economic data in the US and low interest rates. Valuations, however, are now at 'fair' or normal levels with the 2014 price earnings (P/E) multiple trading at 15X. Eurozone government bonds have outperformed so far this year, on the back of deflationary concerns, although yields are expected to eventually rise.

### ZURICH LIFE FUND ALLOCATIONS & ACTIVITY

**Equities:** The funds are overweight.

**Bonds:** The funds are close to neutral.

**Activity:** The equity position in Europe was increased slightly at the expense of Ireland.

#### Regionally, the funds are:

- Underweight in the UK and Asia Pacific.
- Neutral in Japan, slightly overweight in Europe.
- Overweight in the US and Ireland. slightly overweight in the US.

#### Sectorwise, the funds are:

- Underweight financials and energy.
- Overweight consumer goods and technology.
- Otherwise broadly balanced.

## EQUITY MARKETS

- Equities rose for a fourth month in-a-row in May with the global index hitting a fresh all-time high on the second last day of the month. During the month, the markets were supported by a reasonably positive Q1 corporate results season, stronger US economic data and the expectation of further easing by the European Central Bank (ECB). Markets shrugged off geo-political tensions between Russia and Ukraine, as well as in Syria. International money flows continued to favour European equities.
- World equities (in euro terms) rose by a strong 3.7% in May giving a total return of 5.6% for the first five months of the year. All of the major markets were in positive territory, in local currency terms, during the month led by Hong Kong (+4.3%), Japan (+3.4%) and the US (+2.1%). A weaker euro currency enhanced gains for the eurozone investor.
- Sectorwise, May saw no clear distinction between cyclical and defensive stocks. The two strongest sectors in the US were information technology (+3.5%) and telecoms (+3.4%). Year-to-date, however, defensive stocks have in general outperformed, a reversal of the trend in 2013.

## BONDS & INTEREST RATES

- The Merrill Lynch Euro over 5 Year Index rose by a further 1.4% in May giving an impressive return of close to 8.8% for the first five months of the year. Bond prices have risen in

Europe, to the surprise of many commentators, on deflationary concerns as well as speculation that the ECB may introduce some form of quantitative easing (QE).

- The German 10-year bond yield fell further from 1.47% to 1.36% in May, its 2013 low was around 1.2%. Equivalent US rates fell from 2.65% to 2.48% during the month.
- As expected the ECB kept short rates at the current rate of 0.25% at its meeting in early May. However, it is now expected that the rate will be cut at the next meeting to perhaps 0.15%, driving some deposit rates into negative territory. The Fed and the Bank of England are both expected to keep interest rates at record low levels until H1 of 2015.

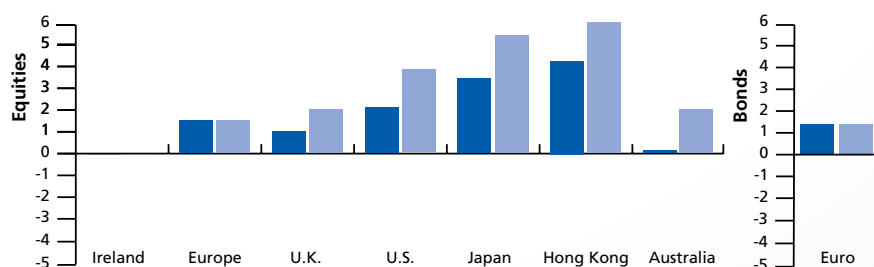
## COMMODITIES & CURRENCIES

- Commodity prices fell overall by 1.3% in May but are up a strong 9.0% in the first five months of 2014, led by soft commodities, livestock and grains. Industrial metals have under-performed.
- Both Brent (European) and West Texas (US) oil prices were slightly up on the month, and year-to-date, ending May at \$109 and \$103 per barrel respectively.
- The gold price, which had fallen by 28% in 2013, had somewhat reversed the trend until the end of April. However it fell back by almost 4% in May and is now only up 3.6% year-to-date at \$1,246 per troy ounce. The major currencies were all stronger against the euro during May. The €/£ rate moved from 1.39 to 1.36 during the month.

## EQUITY & BOND % RETURNS

This graph shows the performance of the major equity markets over the month of May. The returns are shown in both local and euro currencies. The bond index is the Merrill Lynch over 5 Year Euro Government Bond Index.

■ Local Currency Return (%)  
■ Euro Return (%)



**Warning: Past performance is not a reliable guide to future performance.**  
**Warning: The value of your investment may go down as well as up.**  
**Warning: Benefits may be affected by changes in currency exchange rates.**  
**Warning: If you invest in this fund you may lose some or all of the money you invest.**



## ZURICH LIFE ANNUALISED PERFORMANCE TO 3RD JUNE 2014

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Pathway Multi-Asset Funds								
Pathway <span>2</span>	1.3%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	14,474,540
Pathway <span>3</span>	2.6%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	36,501,460
Pathway <span>4</span>	5.0%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	55,046,072
Pathway <span>5</span>	4.7%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	22,904,150
Pathway <span>6</span>	6.2%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	4,205,655
Managed Funds								
Cautiously Managed	<span>6.9%</span>	<span>8.7%</span>	<span>9.6%</span>	<span>9.3%</span>	Not Started	Not Started	Not Started	235,902,781
<i>FinEx Sector Average</i>	3.7%	3.9%	4.8%	6.1%	3.7%	3.3%	4.3%	
Balanced	<span>4.9%</span>	<span>10.9%</span>	<span>10.5%</span>	<span>11.8%</span>	<span>7.0%</span>	<span>4.7%</span>	<span>8.5%</span>	1,510,003,721
<i>FinEx Sector Average</i>	4.3%	8.4%	8.3%	10.1%	4.5%	3.0%	6.6%	
Performance	<span>5.2%</span>	<span>11.7%</span>	<span>10.7%</span>	<span>12.3%</span>	<span>7.2%</span>	<span>4.5%</span>	<span>8.3%</span>	1,117,972,257
Dynamic	<span>4.7%</span>	<span>11.8%</span>	<span>10.8%</span>	<span>12.9%</span>	<span>7.4%</span>	<span>4.3%</span>	<span>8.3%</span>	1,370,783,779
<i>FinEx Sector Average</i>	4.1%	8.1%	8.0%	10.4%	4.5%	3.3%	6.1%	
Protected Funds								
Protected 70	3.0%	7.2%	5.8%	Not Started	Not Started	Not Started	Not Started	7,503,207
Protected 80	2.0%	4.8%	3.5%	Not Started	Not Started	Not Started	Not Started	25,089,611
Protected 90	0.6%	1.2%	0.3%	Not Started	Not Started	Not Started	Not Started	8,211,726
Cash Fund								
Secure	<span>0.0%</span>	<span>0.0%</span>	<span>0.2%</span>	0.3%	<span>1.5%</span>	<span>2.1%</span>	<span>3.2%</span>	397,703,214
<i>FinEx Sector Average</i>	0.0%	-0.1%	0.2%	0.5%	1.4%	1.9%	2.8%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	4.4%	4.0%	Not Started	Not Started	Not Started	Not Started	Not Started	4,195,456
Global Government Bond (JP Morgan)*	3.1%	2.2%	Not Started	Not Started	Not Started	Not Started	Not Started	1,521,417
Indexed Eurozone Government Bond (BlackRock)	5.3%	<span>5.9%</span>	<span>6.8%</span>	Not Started	Not Started	Not Started	Not Started	6,233,940
Active Fixed Income	<span>8.9%</span>	<span>9.0%</span>	<span>9.8%</span>	<span>7.5%</span>	<span>6.2%</span>	<span>6.3%</span>	Not Started	387,580,436
Inflation-Linked Bond	3.2%	-0.2%	1.2%	Not Started	Not Started	Not Started	Not Started	6,146,621
Long Bond	<span>11.6%</span>	<span>10.5%</span>	<span>11.0%</span>	<span>8.4%</span>	<span>6.7%</span>	Not Started	Not Started	51,381,664
Global Real Return (PIMCO)*	5.3%	-1.2%	Not Started	Not Started	Not Started	Not Started	Not Started	2,159,384
Emerging Local Currency Debt (Pictet)*	4.5%	-8.0%	Not Started	Not Started	Not Started	Not Started	Not Started	1,223,059
<i>FinEx Sector Average</i>	5.8%	5.0%	6.5%	5.9%	4.5%	4.5%	6.4%	
Absolute Return/Diversified Assets Funds								
Income Opportunity (JP Morgan)*	0.6%	1.1%	Not Started	Not Started	Not Started	Not Started	Not Started	11,859,810
Dyanmic Diversified Growth (BlackRock)	3.0%	5.3%	Not Started	Not Started	Not Started	Not Started	Not Started	15,871,587
Diversified Assets	6.9%	6.6%	6.4%	9.7%	Not Started	Not Started	Not Started	12,407,210
Active Asset Allocation	5.3%	5.6%	6.8%	Not Started	Not Started	Not Started	Not Started	104,512,221
Commodity Funds								
Gold	4.4%	-16.4%	-5.9%	Not Started	Not Started	Not Started	Not Started	26,070,480
Earth Resources	7.2%	2.8%	-4.7%	1.6%	Not Started	Not Started	Not Started	9,571,927
Global Commodities	3.1%	1.2%	-1.7%	3.0%	Not Started	Not Started	Not Started	16,496,740
CommoditiesPLUS Strategy (PIMCO)*	6.6%	1.5%	Not Started	Not Started	Not Started	Not Started	Not Started	383,500,000
Green Resources	3.5%	13.3%	-3.2%	-0.9%	Not Started	Not Started	Not Started	4,863,950

Source: Financial Express as at 03/06/2014

The Financial Express sector averages shown are the average of all funds in each of the Financial Express sectors in the individual pensions category.

**Annual management charges (AMC) apply. The fund returns shown are net of the AMC deducted by Zurich Life in our unit prices. The fund returns are based on an investment in the funds and do not represent the returns achieved by individual policies linked to the funds. These fund returns may be before the full AMC is applied to a policy. The actual returns on policies linked to the specified fund will be lower because of the effects of charges and in some cases a higher management charge.**

\* External fund size: Where external funds have been on the Zurich platform for less than two years, we have used the fund size of the underlying external fund.

Figures highlighted in blue indicate where the Zurich Life fund has outperformed the sector average.

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Equity Funds (Global)								
5 Star 5	0.1%	5.5%	9.7%	10.9%	6.3%	Not Started	Not Started	217,453,793
International Equity	4.1%	11.5%	11.5%	13.9%	7.7%	4.9%	Not Started	405,261,328
Global Select (Threadneedle)	2.6%	10.1%	10.3%	14.1%	8.0%	Not Started	Not Started	9,232,463
Global Equity (MFS Meridian)*	5.1%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	4,728,600,000
Indexed Global Equity (BlackRock)	5.0%	13.4%	13.2%	Not Started	Not Started	Not Started	Not Started	47,958,998
FinEx Sector Average	3.9%	8.8%	9.8%	13.3%	5.5%	2.6%	6.1%	
Equity Funds (European)								
Euro Markets Fund (Blackrock)*	4.8%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	5,000,000,000
5 Star 5 Europe	2.2%	14.1%	12.8%	14.5%	10.2%	Not Started	Not Started	101,801,747
European Select (Threadneedle)	8.5%	14.5%	14.0%	19.0%	10.3%	Not Started	Not Started	22,263,701
Small Cap Europe (Pictet)*	4.7%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	418,012,324
FinEx Sector Average	5.2%	15.2%	10.0%	13.4%	7.3%	5.4%		
Equity Funds (Eurozone)								
Eurozone Equity	6.4%	20.3%	10.9%	14.0%	10.0%	Not Started	Not Started	87,996,603
Europe ex-UK Index (BlackRock)	7.4%	17.2%	9.2%	12.6%	Not Started	Not Started	Not Started	3,747,623
Indexed Eurozone Equity (BlackRock)	7.7%	20.2%	8.7%	Not Started	Not Started	Not Started	Not Started	773,089
FinEx Sector Average	5.7%	16.5%	8.7%	11.2%	5.3%	3.3%	6.9%	
Equity Funds (Irish)								
Irish Equity	10.3%	22.5%	21.0%	16.0%	Not Started	Not Started	Not Started	17,369,636
FinEx Sector Average	7.8%	19.3%	17.9%	13.7%	1.5%	1.8%	7.0%	
Equity Funds (American)								
5 Star 5 Americas	5.9%	13.2%	13.2%	14.4%	8.7%	Not Started	Not Started	59,276,119
American Select (Threadneedle)	2.9%	14.7%	15.2%	17.8%	7.9%	Not Started	Not Started	19,726,087
FinEx Sector Average	4.8%	13.1%	15.2%	17.7%	6.2%	2.0%	5.5%	
Equity Fund (UK)								
UK Growth (M&G)*	1.8%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	716,490,000
UK Index (BlackRock)	5.4%	11.8%	10.6%	14.3%	Not Started	Not Started	Not Started	2,024,785
FinEx Sector Average	3.9%	11.8%	10.1%	14.5%	6.0%	2.2%	5.6%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	5.3%	3.7%	4.8%	6.7%	8.2%	Not Started	Not Started	84,518,275
Asia Pacific Equity	5.4%	5.1%	5.3%	Not Started	Not Started	Not Started	Not Started	6,947,263
FinEx Sector Average	5.1%	3.3%	3.8%	11.6%	8.5%	6.2%	4.5%	
Equity Funds (Japan)								
Japan Index (BlackRock)	-3.6%	0.9%	7.6%	6.9%	Not Started	Not Started	Not Started	4,117,459
FinEx Sector Average	-4.1%	-1.6%	8.1%	7.4%	0.9%	0.4%	-0.7%	
Equity Funds (High Yield)								
Dividend Growth	3.9%	10.8%	13.4%	16.5%	Not Started	Not Started	Not Started	191,497,832
Global Dividend (M&G)*	4.5%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	8,708,980,000
FinEx Sector Average	3.9%	8.8%	9.8%	13.3%	5.5%	2.6%	6.1%	
Equity Funds (Emerging Market)								
India Equity	16.6%	4.5%	-0.3%	5.1%	Not Started	Not Started	Not Started	16,088,746
Emerging Markets Opportunities (JP Morgan)*	4.1%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	2,527,700,000
FinEx Sector Average	5.7%	-0.7%	-1.7%	5.6%	10.2%	Not Started	Not Started	
Equity Funds (Specialist)								
Top Tech 100	5.2%	19.1%	18.8%	22.3%	8.6%	Not Started	Not Started	21,841,942
FinEx Sector Average	4.5%	8.1%	1.8%	6.7%	3.4%	2.5%	3.5%	
Property Funds								
European (Ex-UK) Property	13.4%	10.0%	5.3%	15.0%	Not Started	Not Started	Not Started	17,633,624
Global Property Equities (Henderson Horizon)*	9.1%	-0.5%	Not Started	Not Started	Not Started	Not Started	Not Started	1,170,000,000
Australasia Property	10.3%	-1.9%	6.4%	11.6%	Not Started	Not Started	Not Started	10,652,685
FinEx Sector Average	5.1%	7.5%	2.8%	3.4%	-0.1%	3.6%	7.2%	
Funds Closed to New Business								
Eurozone Property	14.7%	11.0%	5.3%	13.0%	Not Started	Not Started	Not Started	24,480,010
Global Emerging Markets Equity (Aberdeen)*	8.3%	-4.1%	Not Started	Not Started	Not Started	Not Started	Not Started	9,600,000,000

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